
CITY OF TOLEDO

Independent Auditors' Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings
June 30, 2014

CITY OF TOLEDO

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CITY OF TOLEDO

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Dave Svoboda	Mayor	Jan 2014
Brian Sokol	Mayor Pro-Tem	Jan 2014
Elmer (Skip) Wilson	Council Member	Jan 2014
Travis Mullen	Council Member	Jan 2014
Terry Goodhart	Council Member	Jan 2016
Jeff Filloon	Council Member	Jan 2016
Julie Wilkerson	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite
(After January 2014)		
Dave Svoboda	Mayor	Jan 2016
Brian Sokol	Mayor Pro-Tem	Jan 2018
Joe Boll	Council Member	Jan 2016
Jeff Filloon	Council Member	Jan 2016
Travis Mullen	Council Member	Jan 2018
Terry Goodhart	Council Member	Jan 2018
Julie Wilkerson (resigned April 2)	Clerk/Treasurer	Indefinite
Janet Kriegel (appointed April 2)	Clerk/Treasurer	Indefinite
Michael Marquess	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 24 through 26, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2014 on our consideration of the City of Toledo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Toledo's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
October 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 57.8%, or approximately \$2,673,000, from fiscal year 2013 to fiscal year 2014. Property tax receipts decreased approximately \$12,000 while revenue and general obligation note proceeds decreased \$2,630,000.
- Disbursements of the City's governmental activities decreased 60.0%, or approximately \$2,530,000, in fiscal year 2014 from fiscal year 2013. Debt service disbursements decreased approximately \$2,208,000, while capital projects disbursements decreased \$300,000.
- The City's total cash basis net position increased 20.1%, or approximately \$455,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$249,000 while the cash basis net position of the business type activities increased approximately \$206,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, nonmajor enterprise funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally

accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, solid waste, community center and child care facility. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1.) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2.) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water and Sewer Funds and for the operation of the City's child care facility. These funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$721,244 to 970,642. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 297,836	287,031
Operating grants, contributions and restricted interest	295,143	284,773
Capital grants, contributions and restricted interest	2,795	-
General receipts:		
Property tax	1,071,247	1,083,336
Other city tax	106,630	111,163
Local option sales tax	155,352	190,562
Unrestricted interest on investments	1,313	301
Revenue note proceeds	-	1,085,000
General obligation note proceeds	-	1,545,000
Other general receipts	25,102	41,242
Total receipts	<u>1,955,418</u>	<u>4,628,408</u>
Disbursements:		
Public safety	537,899	570,451
Public works	296,993	310,209
Health and social services	3,434	1,050
Culture and recreation	318,288	297,632
Community and economic development	3,512	3,512
General government	145,856	145,139
Debt service	381,626	2,589,405
Capital projects	-	300,000
Total disbursements	<u>1,687,608</u>	<u>4,217,398</u>
Change in cash basis net position before transfers	267,810	411,010
Transfers, net	<u>(18,412)</u>	<u>37,510</u>
Change in cash basis net position	249,398	448,520
Cash basis net position beginning of year	<u>721,244</u>	<u>272,724</u>
Cash basis net position end of year	<u>\$ 970,642</u>	<u>721,244</u>

The City's total receipts for governmental activities decreased by 57.8%, or \$2,672,990. The total cost of all governmental programs and services decreased by \$2,529,790, or 60.0%, with no new programs added during the year.

The significant decrease in receipts was primarily due to the refinancing of the City's two aquatic center general obligation bonds, the general obligation sewer bond, and the sewer revenue bond in the previous year. The significant decrease in disbursements was primarily due to the refinancing of the four different bonds noted above in the previous year.

The cost of all governmental activities this year was \$1,687,608 compared to \$4,217,398 last year. However, as shown on the Statement of Activities and Net Position on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$1,091,834 because some of the cost was paid by those who directly benefited from the programs (\$297,836) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$297,938). The City paid the remaining "public benefit" portion of governmental activities with property taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 by nearly \$24,000 primarily due to increased charges for services.

Changes in Cash Basis Net Position of Business Type Activities			
		Year Ended June 30,	
		2014	2013
Receipts:			
Program receipts:			
Charges for service			
Water	\$	447,463	358,971
Sewer		515,215	504,863
Solid waste		33,166	32,956
Reinig estate		29,615	43,976
Child care facility		28,408	28,406
Operating grants, contributions and restricted interest		1,182	2,005
Capital grants, contributions and restricted interest		153,300	-
Other general receipts		53,239	37,015
Total receipts		<u>1,261,588</u>	<u>1,008,192</u>
Disbursements:			
Water		659,006	572,693
Sewer		314,968	374,281
Solid waste		18,728	37,456
Reinig estate		58,714	65,083
Child care facility		23,063	28,212
Total disbursements		<u>1,074,479</u>	<u>1,077,725</u>
Change in cash basis net position before transfers		187,109	(69,533)
Transfers, net		<u>18,412</u>	<u>(37,510)</u>
Change in cash basis net position		205,521	(107,043)
Cash basis net position beginning of year		<u>1,545,585</u>	<u>1,652,628</u>
Cash basis net position end of year	\$	<u><u>1,751,106</u></u>	<u><u>1,545,585</u></u>

Total business type activities receipts for the fiscal year were \$1,261,588 compared to \$1,008,192 last year. The increase was primarily due to more charges for water and sewer services and state grants received. Total disbursements for business type activities for the fiscal year were \$1,074,479 which was a decrease of \$3,246 from the prior year. Water fund disbursements increased approximately \$86,000 due to professional fees related to the upcoming project for the new water treatment plant but sewer fund disbursements decreased approximately \$59,000 due to fewer capital improvements. The cash balance for business type activities increased \$205,521 from the prior fiscal year primarily due to the increase in receipts from water and sewer services and state funding.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$970,642 which is an increase of \$249,398 from last year's total of \$721,244. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance increased by \$158,283. Even though receipts were less and disbursements were more than the prior year, the current year receipts and transfers in exceeded operating disbursements.
- The Special Revenue, Employee Benefits Fund cash balance increased by \$54,052 during the fiscal year. The main reason for the increase is a decrease in the operating disbursements compared to the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$73,955 during the fiscal year. The fund's cash balance increased due to fewer operating disbursements and increased state funding in the current year compared to the prior year.
- The Debt Service Fund cash balance decreased by \$62,165 from the prior year. This is due to the general obligation bond payments exceeding the property tax revenues and transfers in from other funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Utility Fund cash balance decreased by \$49,018 to \$339,146. The decrease was primarily due to the increase in disbursements related to the new water treatment plant project.
- The Enterprise, Sewer Utility Fund cash balance increased by \$215,173 to \$1,337,060 primarily due to an increase in receipts and a decrease in disbursements.
- The Enterprise, Child Care Facility Fund cash balance increased \$5,371 to \$35,993 primarily due to a decrease in disbursements compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The first amendment was approved on November 25, 2013, and included an increase of \$3,800 to revenues and \$110,512 to expenses. The amendment was primarily to account for receiving FEMA funds and needing to make unexpected capital improvements at the park and Senior Citizen Center and major repair work of water mains. The second amendment was approved on February 26, 2014 with a reallocation of revenue and an increase of \$76,470 to expenses. The revenue reallocation was due to using CDBG grant money for engineering fees, while the increase in expenses was mainly due to the purchase of new equipment. Even with the budget amendment, disbursements exceeded the amounts budgeted in the debt service function.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$3,647,887 in bonds and other long-term debt outstanding, compared to \$3,978,667 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
General obligation bonds	\$ 2,025,000	2,185,000
General obligation notes	230,000	340,000
Revenue bond	1,030,000	1,085,000
Revenue note	362,887	368,667
Total	<u>\$ 3,647,887</u>	<u>3,978,667</u>

Debt decreased primarily as a result of the making the required payments that were due.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,255,000 is below its constitutional debt limit of \$5,062,184.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities.

During next fiscal year 2014-2015, the City plans to undertake the construction of a new water treatment plant expected to cost approximately \$3,000,000. This project will be funded by a water revenue bond. The City will also be focusing on monitoring fund balances and repaying their outstanding debt balances, most of which arose from the two capital projects recently completed. There is no increase in the property tax levy for next year; however, property tax receipts are budgeted to slightly increase due to increased valuations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Janet Kriegel
PO Box 234
Toledo, Iowa 52342

Basic Financial Statements

CITY OF TOLEDO
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2014

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 537,899	251,792	36,770	-
Public works	296,993	-	233,758	-
Health and social services	3,434	-	-	-
Culture and recreation	318,288	3,089	16,571	2,795
Community and economic development	3,512	-	-	-
General government	145,856	42,955	8,044	-
Debt service	381,626	-	-	-
Total governmental activities	1,687,608	297,836	295,143	2,795
Business type activities:				
Water	659,006	447,463	642	153,300
Sewer	314,968	515,215	514	-
Solid waste	18,728	33,166	-	-
Reinig center	58,714	29,615	-	-
Child care facility	23,063	28,408	26	-
Total business type activities	1,074,479	1,053,867	1,182	153,300
Total	\$ 2,762,087	1,351,703	296,325	156,095
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Debt service				
Streets				
Property tax relief				
Other purposes				
Unrestricted				
Total cash basis net position				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(249,337)	-	(249,337)
(63,235)	-	(63,235)
(3,434)	-	(3,434)
(295,833)	-	(295,833)
(3,512)	-	(3,512)
(94,857)	-	(94,857)
(381,626)	-	(381,626)
(1,091,834)	-	(1,091,834)
-	(57,601)	(57,601)
-	200,761	200,761
-	14,438	14,438
-	(29,099)	(29,099)
-	5,371	5,371
-	133,870	133,870
(1,091,834)	133,870	(957,964)
568,502	-	568,502
294,643	-	294,643
208,102	-	208,102
106,630	-	106,630
155,352	-	155,352
1,313	-	1,313
595	-	595
24,507	53,239	77,746
(18,412)	18,412	-
1,341,232	71,651	1,412,883
249,398	205,521	454,919
721,244	1,545,585	2,266,829
\$ 970,642	1,751,106	2,721,748
\$ 21,186	192,144	213,330
133,430	-	133,430
63,998	-	63,998
115,470	-	115,470
636,558	1,558,962	2,195,520
\$ 970,642	1,751,106	2,721,748

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2014

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts:				
Property tax	\$ 551,579	-	294,643	208,102
Other city tax	85,127	-	12,192	8,610
Licenses and permits	2,162	-	-	-
Use of money and property	25,310	-	456	-
Intergovernmental	45,299	233,758	-	-
Charges for service	258,991	-	-	-
Miscellaneous	27,036	-	-	-
Total receipts	995,504	233,758	307,291	216,712
Disbursements:				
Operating:				
Public safety	425,374	-	106,904	-
Public works	83,829	159,803	53,361	-
Health and social services	3,434	-	-	-
Culture and recreation	244,170	-	70,173	-
Community and economic development	3,512	-	-	-
General government	123,055	-	22,801	-
Debt service	-	-	-	381,626
Total disbursements	883,374	159,803	253,239	381,626
Excess (deficiency) of receipts over (under) disbursements	112,130	73,955	54,052	(164,914)
Other financing sources (uses):				
Sale of capital assests	565	-	-	-
Operating transfers in	64,000	-	-	102,749
Operating transfers out	(18,412)	-	-	-
Total other financing sources (uses)	46,153	-	-	102,749
Change in cash balances	158,283	73,955	54,052	(62,165)
Cash balances beginning of year	459,920	59,475	25,793	83,351
Cash balances end of year	\$ 618,203	133,430	79,845	21,186
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	133,430	-	-
Debt service	-	-	-	21,186
Property tax relief	-	-	-	-
Other purposes	-	-	79,845	-
Assigned for:				
Ambulance equipment	147,690	-	-	-
Fire equipment	51,833	-	-	-
Capital improvements	18,505	-	-	-
Other purposes	73,241	-	-	-
Unassigned	326,934	-	-	-
Total cash basis fund balances	\$ 618,203	133,430	79,845	21,186

Nonmajor	Total
16,924	1,071,248
156,053	261,982
-	2,162
217	25,983
6,334	285,391
22,060	281,051
-	27,036
201,588	1,954,853

5,621	537,899
-	296,993
-	3,434
3,945	318,288
-	3,512
-	145,856
-	381,626
9,566	1,687,608

192,022	267,245
---------	---------

-	565
-	166,749
(166,749)	(185,161)
(166,749)	(17,847)

25,273	249,398
92,705	721,244
117,978	970,642

-	133,430
-	21,186
63,998	63,998
35,625	115,470
-	147,690
-	51,833
-	18,505
18,355	91,596
-	326,934
117,978	970,642

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2014

	Enterprise Funds		
	Water Utility	Sewer Utility	Child Care Facility
Operating receipts:			
Charges for services	\$ 447,463	515,215	28,408
Miscellaneous	8,583	-	-
Total operating receipts	456,046	515,215	28,408
Operating disbursements:			
Business type activities	659,006	231,056	2,183
Excess (deficiency) of operating receipts over (under) operating disbursements	(202,960)	284,159	26,225
Non-operating receipts (disbursements):			
Interest on investments	642	514	26
Intergovernmental	153,300	-	-
Rent	-	-	-
Debt service	-	(83,912)	(20,880)
Total non-operating receipts (disbursements)	153,942	(83,398)	(20,854)
Excess (deficiency) of receipts over (under) disbursements	(49,018)	200,761	5,371
Other financing sources:			
Operating transfers in	-	14,412	-
Total other financing sources	-	14,412	-
Change in cash balances	(49,018)	215,173	5,371
Cash balances beginning of year	388,164	1,121,887	30,622
Cash balances end of year	\$ 339,146	1,337,060	35,993
Cash Basis Fund Balances			
Restricted for debt service	\$ -	171,264	20,880
Unrestricted	339,146	1,165,796	15,113
Total cash basis fund balances	\$ 339,146	1,337,060	35,993

Nonmajor	Total
62,781	1,053,867
9,548	18,131
72,329	1,071,998
77,442	969,687
(5,113)	102,311
-	1,182
-	153,300
35,108	35,108
-	(104,792)
35,108	84,798
29,995	187,109
4,000	18,412
4,000	18,412
33,995	205,521
4,912	1,545,585
38,907	1,751,106
-	192,144
38,907	1,558,962
38,907	1,751,106

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Toledo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property taxes to be used to pay employee taxes and benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The Enterprise, Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Child Care Facility Fund accounts for the collection of fees from the daycare to fund repayment of the building loan.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 – Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2014

Note 3 – Pension and Retirement Benefits (Continued)

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$55,166, \$51,151, and \$49,425, respectively, equal to the required contributions for each year.

Note 4 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2014, was \$22,637, primarily relating to the General Fund. This liability has been computed based on the rates of pay in effect at June 30, 2014.

Note 5 – Risk Management

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – Other Postemployment Benefits

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$575 for single coverage and \$1,777 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$185,673 and plan members eligible for benefits did not contribute to the plan.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2014

Note 7 – Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, water and sewer revenue bonds and notes, and a child care center note are as follows:

Year Ending June 30	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2015	150,000	41,162	110,000	5,200
2016	150,000	38,162	60,000	2,100
2017	155,000	35,162	60,000	1,050
2018	160,000	32,062	-	-
2019	160,000	28,862	-	-
2020-2024	850,000	98,664	-	-
2025-2029	400,000	31,726	-	-
2030-2034	-	-	-	-
2035-2039	-	-	-	-
2040-2044	-	-	-	-
2045-2046	-	-	-	-
Total	\$ 2,025,000	305,800	230,000	8,350

Year Ending June 30	Sewer Revenue Bond		Child Care Center Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	55,000	27,296	5,715	15,165	320,715	88,823
2016	55,000	25,838	5,955	14,925	270,955	81,025
2017	60,000	24,380	6,205	14,675	281,205	75,267
2018	60,000	22,790	6,466	14,414	226,466	69,266
2019	60,000	21,200	6,738	14,142	226,738	64,204
2020-2024	320,000	81,356	38,186	66,214	1,208,186	246,234
2025-2029	350,000	37,102	46,915	57,485	796,915	126,313
2030-2034	70,000	1,856	57,643	46,757	127,643	48,613
2035-2039	-	-	70,821	33,579	70,821	33,579
2040-2044	-	-	87,011	17,389	87,011	17,389
2045-2046	-	-	31,232	1,619	31,232	1,619
Total	\$ 1,030,000	241,818	362,887	296,364	3,647,887	852,332

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate Sewer and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2014

Note 7 – Bonds and Notes Payable (Continued)

- e) Additional monthly transfers of \$368 to a Child Care Center depreciation account within the Enterprise Fund shall be made. This account is restricted for the purpose of paying for any repairs, replacements and improvements to the Child Care Center.
- f) All funds remaining in the Child Care Center account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the building or for note and interest payments which the other accounts might be unable to make.

As of June 30, 2014, the City has established the depository accounts required by the bond resolution for the sewer revenue and daycare facility bonds.

Note 8 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Emergency	10,000
		<u>64,000</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>102,749</u>
Enterprise:		
Solid Waste	General	<u>4,000</u>
Enterprise:		
Sewer	General	<u>14,412</u>
Total		\$ <u>185,161</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2014

Note 9 – Commitments

The City has entered into an agreement with the Iowa Department of Transportation to pay for the City's portion of the relocation of water and sewer mains associated with the new Highway 30 project. The payments were spread over three years, and the amount remaining to pay the Iowa DOT at June 30, 2014 was \$111,346.

The City has also entered into a contract for an improvement project to the water treatment plant to commence next fiscal year. The amount of the contract is \$2,999,504.

Note 10 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$4,472 during the year ended June 30, 2014.

Note 11 – Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Note 12 – Subsequent Events

The City has evaluated all subsequent events through October 17, 2014, the date the financial statements were available to be issued.

Other Information

CITY OF TOLEDO
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances-Budget and Actual (Cash Basis)
All Governmental Funds and Proprietary Funds
Other Information
June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,071,248	-
Other city taxes	261,982	-
Licenses and permits	2,162	-
Use of money and property	25,983	36,290
Intergovernmental	285,391	153,300
Charges for service	281,051	1,053,867
Miscellaneous	27,036	18,131
Total receipts	<u>1,954,853</u>	<u>1,261,588</u>
Disbursements:		
Public safety	537,899	-
Public works	296,993	-
Health and social services	3,434	-
Culture and recreation	318,288	-
Community and economic development	3,512	-
General government	145,856	-
Debt service	381,626	-
Business type activities	-	1,074,479
Total disbursements	<u>1,687,608</u>	<u>1,074,479</u>
Excess of receipts over disbursements	267,245	187,109
Other financing sources (uses), net	<u>(17,847)</u>	<u>18,412</u>
Excess of receipts and other financing sources over disbursements and other financing uses	249,398	205,521
Balances beginning of year	<u>721,244</u>	<u>1,545,585</u>
Balances end of year	<u><u>\$ 970,642</u></u>	<u><u>1,751,106</u></u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,071,248	1,092,602	1,092,602	(21,354)
261,982	268,174	268,174	(6,192)
2,162	3,575	3,575	(1,413)
62,273	100	400	61,873
438,691	232,200	520,200	(81,509)
1,334,918	1,369,427	1,370,927	(36,009)
45,167	36,809	36,809	8,358
3,216,441	3,002,887	3,292,687	(76,246)
537,899	589,660	606,360	68,461
296,993	372,927	372,927	75,934
3,434	7,000	7,000	3,566
318,288	325,471	349,771	31,483
3,512	-	3,512	-
145,856	155,424	163,124	17,268
381,626	333,853	333,853	(47,773)
1,074,479	1,133,987	1,268,757	194,278
2,762,087	2,918,322	3,105,304	343,217
454,354	84,565	187,383	266,971
565	286,000	-	565
454,919	370,565	187,383	267,536
2,266,829	2,060,346	2,060,346	206,483
2,721,748	2,430,911	2,247,729	474,019

CITY OF TOLEDO

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments reclassified budgeted funds and increased total budgeted disbursements by \$186,982. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

Supplementary Information

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2014

	Special Revenue			
	Local Option Sales Tax	Library Gift Trust	Emergency	Police Federal Forfeiture
Receipts:				
Property tax	-	-	16,924	-
Other city tax	\$ 155,352	-	701	-
Use of money and property	193	24	-	-
Intergovernmental	-	3,539	-	-
Charges for services	-	9,236	-	12,824
Total receipts	155,545	12,799	17,625	12,824
Disbursements:				
Operating:				
Public safety	-	-	-	5,621
Culture and recreation	-	3,945	-	-
Total disbursements	-	3,945	-	5,621
Excess of receipts over disbursements	155,545	8,854	17,625	7,203
Other financing uses:				
Operating transfers out	(156,749)	-	(10,000)	-
Total other financing uses	(156,749)	-	(10,000)	-
Change in cash balances	(1,204)	8,854	7,625	7,203
Cash balances at beginning of year	65,202	9,501	6,718	5,708
Cash balances at end of year	\$ 63,998	18,355	14,343	12,911
Cash Basis Fund Balances				
Restricted for:				
Property tax relief	\$ 63,998	-	-	-
Other purposes	-	-	14,343	12,911
Assigned for other purposes	-	18,355	-	-
Total cash basis fund balances	\$ 63,998	18,355	14,343	12,911

<u>Capital Projects</u>	
<u>Recreation</u>	
<u>Trail</u>	<u>Total</u>
-	16,924
-	156,053
-	217
2,795	6,334
-	22,060
<u>2,795</u>	<u>201,588</u>
-	5,621
-	3,945
-	9,566
<u>2,795</u>	<u>192,022</u>
-	(166,749)
-	(166,749)
2,795	25,273
5,576	92,705
<u>8,371</u>	<u>117,978</u>
-	63,998
8,371	35,625
-	18,355
<u>8,371</u>	<u>117,978</u>

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
As of and for the year ended June 30, 2014

	Solid Waste	Reinig Center	Total
Operating receipts:			
Charges for services	\$ 33,166	29,615	62,781
Miscellaneous	-	9,548	9,548
Total operating receipts	<u>33,166</u>	<u>39,163</u>	<u>72,329</u>
Operating disbursements:			
Business type activities	<u>18,728</u>	<u>58,714</u>	<u>77,442</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	14,438	(19,551)	(5,113)
Non-operating receipts:			
Rent	-	35,108	35,108
Total non-operating receipts	<u>-</u>	<u>35,108</u>	<u>35,108</u>
Excess of receipts over disbursements	<u>14,438</u>	<u>15,557</u>	<u>29,995</u>
Other financing sources:			
Operating transfers in	4,000	-	4,000
Total other financing sources	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Change in cash balances	18,438	15,557	33,995
Cash balances beginning of year	<u>634</u>	<u>4,278</u>	<u>4,912</u>
Cash balances end of year	<u>\$ 19,072</u>	<u>19,835</u>	<u>38,907</u>
Cash Basis Fund Balances			
Unrestricted	\$ 19,072	19,835	38,907
Total cash basis fund balances	<u>\$ 19,072</u>	<u>19,835</u>	<u>38,907</u>

CITY OF TOLEDO
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Aquatic center	Jun 1, 2013	1.50-2.625 %	\$ 983,000
SRF Sewer	Jun 1, 2013	1.50-2.625	<u>1,202,000</u>
Total			<u>\$ 2,185,000</u>
General obligation notes:			
Fire truck	Nov. 20, 2012	1.75 %	\$ 300,000
Library	Jan 26, 2005	2.05-4.10	<u>400,000</u>
Total			<u>\$ 700,000</u>
Revenue bond:			
State revolving fund sewer loan	Jun 1, 2013	2.65 %	<u>\$ 1,085,000</u>
Revenue note:			
Child care facility	Apr 30, 2007	4.125 %	<u>\$ 400,000</u>
Total			

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
983,000	-	83,000	900,000	62,407	-
1,202,000	-	77,000	1,125,000	25,650	-
2,185,000	-	160,000	2,025,000	88,057	-
240,000	-	60,000	180,000	4,200	-
100,000	-	50,000	50,000	4,025	-
340,000	-	110,000	230,000	8,225	-
1,085,000	-	55,000	1,030,000	28,912	-
368,667	-	5,780	362,887	15,100	-

CITY OF TOLEDO
Bond and Note Maturities
June 30, 2014

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>General Obligation Bonds</u>				<u>General Obligation Notes</u>	
	<u>Aquatic Center</u>		<u>SRF Sewer</u>		<u>Library</u>	
	<u>Issued June 1, 2013</u>		<u>Issued June 1, 2013</u>		<u>Issued Jan. 26, 2005</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2015	2.00 %	\$ 85,000	2.00 %	\$ 65,000	4.10 %	\$ 50,000
2016	2.00	85,000	2.00	65,000		-
2017	2.00	85,000	2.00	70,000		-
2018	2.00	85,000	2.00	75,000		-
2019	2.00	85,000	2.00	75,000		-
2020	2.00	90,000	2.00	75,000		-
2021	1.50	90,000	1.50	75,000		-
2022	1.63	95,000	1.63	75,000		-
2023	2.00	100,000	2.00	75,000		-
2024	2.00	100,000	2.00	75,000		-
2025		-	2.40	75,000		-
2026		-	2.40	75,000		-
2027		-	2.63	80,000		-
2028		-	2.63	85,000		-
2029		-	2.63	85,000		-
Total		<u>\$ 900,000</u>		<u>\$ 1,125,000</u>		<u>\$ 50,000</u>

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Revenue Bond</u>		<u>Revenue Note</u>		<u>Total</u>
	<u>State Revolving Sewer Loan</u>		<u>Child Care Center</u>		
	<u>Issued June 1, 2013</u>		<u>Issued June 1, 2013</u>		
	<u>Interest</u>		<u>Interest</u>		
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	
2015	2.65 %	\$ 55,000	4.13 %	\$ 5,948	60,948
2016	2.65	55,000	4.13	6,197	61,197
2017	2.65	60,000	4.13	6,458	66,458
2018	2.65	60,000	4.13	6,730	66,730
2019	2.65	60,000	4.13	7,012	67,012
2020	2.65	60,000	4.13	7,316	67,316
2021 - 2046	2.65	680,000	4.13	323,226	1,003,226
Total		\$ <u>1,030,000</u>		\$ <u>362,887</u>	<u>1,392,887</u>

Schedule 4

Fire Truck		
Issued Nov. 20, 2012		
Interest		
Rate	Amount	Total
1.75 %	\$ 60,000	260,000
1.75	60,000	210,000
1.75	60,000	215,000
	-	160,000
	-	160,000
	-	165,000
	-	165,000
	-	170,000
	-	175,000
	-	175,000
	-	75,000
	-	75,000
	-	80,000
	-	85,000
	-	85,000
	<u>\$ 180,000</u>	<u>2,255,000</u>

CITY OF TOLEDO
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 1,071,248	1,083,336	994,743	830,125
Tax increment financing revenues	-	-	-	-
Other city tax	261,982	301,725	212,222	262,585
Licenses and permits	2,162	2,658	1,832	1,779
Use of money and property	25,983	23,173	7,679	10,877
Intergovernmental	285,391	278,397	576,210	1,046,767
Charges for services	281,051	250,174	261,235	268,413
Special assessments	-	-	433	1,781
Miscellaneous	27,036	45,483	86,749	30,395
Total	\$ 1,954,853	1,984,946	2,141,103	2,452,722
Disbursements:				
Operating:				
Public safety	\$ 537,899	570,451	775,382	591,036
Public works	296,993	310,209	275,551	1,118,827
Health and social services	3,434	1,050	-	-
Culture and recreation	318,288	297,632	322,408	316,721
Community and economic development	3,512	3,512	10,394	9,880
General government	145,856	145,139	241,831	269,665
Debt service	381,626	2,589,405	468,667	370,785
Capital projects	-	300,000	358,033	45,409
Total	\$ 1,687,608	4,217,398	2,452,266	2,722,323

Schedule 5

2010	2009	2008	2007	2006	2005
795,846	1,019,718	846,398	929,723	655,072	795,644
4	58,110	113,070	241,150	181,716	114,003
260,161	281,512	277,758	240,350	187,403	211,542
8,720	6,780	3,125	8,608	3,896	27,301
11,372	18,529	24,971	31,516	25,450	31,953
322,416	323,665	336,680	1,073,176	675,868	219,645
259,659	275,803	283,499	259,096	211,365	39,348
4,333	5,431	2,169	16,350	9,255	19,618
57,532	25,888	41,230	98,423	170,651	1,164,122
1,720,043	2,015,436	1,928,900	2,898,392	2,120,676	2,623,176
535,157	555,569	582,666	608,738	500,940	456,775
415,945	243,301	673,534	227,432	253,431	296,595
-	-	-	-	-	-
282,916	276,533	261,814	241,929	257,869	243,387
17,116	18,607	18,607	23,349	39,770	181,362
273,114	256,755	250,725	269,839	341,222	317,135
301,009	422,854	363,650	1,090,034	461,614	359,262
14,081	85,193	99,371	1,003,493	1,048,057	2,548,724
1,839,338	1,858,812	2,250,367	3,464,814	2,902,903	4,403,240



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Toledo's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Toledo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Toledo's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Toledo's Responses to Findings

The City of Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Toledo's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Toledo during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
October 17, 2014

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2014

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will continue to monitor other ways to improve segregation of duties.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF TOLEDO

Schedule of Findings

Year Ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting:

III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This will be monitored more closely in the future and amendments will be done as necessary.

Conclusion – Response accepted.

III-B-14 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Wilkerson, spouse of City Clerk, Owner of Wilkerson Hardware	Materials and supplies	\$ 4,472

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions appear to represent a conflict of interest since the total was greater than \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The transactions between the City and Wilkerson, dba Wilkerson Hardware, spouse of the current city clerk, Julie Wilkerson, are for purchases of supplies and products as needed. These are not purchased on a ‘bid’ basis as Wilkerson Hardware is the only local source for many items purchased and there is no contract, implied or written, with Wilkerson Hardware. Wilkerson Hardware does participate as a bidder when an item is determined appropriate for bid. As of April 4, 2014, Wilkerson Hardware is no longer a related party.

Conclusion – Response accepted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting (continued):

III-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City Council went into closed session five different times during the year. On three occasions (May 12, 2014, May 27, 2014, and June 9, 2014) the minutes record did not document a roll call vote as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should take and document a roll call vote.

Response – We will handle future closed sessions in compliance with Chapter 21 of the Code of Iowa.

Conclusion – Response accepted.

III-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-14 Revenue Bonds and Notes – The City has established a sewer revenue bond sinking fund as required by the bond resolution. However, the balance in the sinking fund at June 30, 2014 exceeded the amount established by the resolution. The resolution states in part "The sinking fund will be depleted at least once a year except for a reasonable carryover not to exceed the greater of the earnings on the fund or 1/12 of the principal and interest payments on the bonds for the immediately preceding bond year."

Recommendation – The City should transfer the excess balance in the sewer revenue bond sinking fund to the sewer revenue fund.

Response – We will comply with the approved resolution.

Conclusion – Response accepted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting (continued):

III-I-14 Transfers – The City made several operating transfers between funds during the year. However, two of these transfers that were approved were not made before the year end. Also, one of the transfers was made for an amount different than what was approved, and one of the transfers was made to the incorrect fund.

Recommendation – The City should make all transfers on a timely basis, for the amount approved, and to the correct fund.

Response – We will comply in a timely manner.

Conclusion – Response accepted.

CITY OF TOLEDO
Audit Staff

This audit was performed by:
Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

Personnel:
Elizabeth Miller, C.P.A., Partner
Nathan Minkel, C.P.A., Partner
Taylor Johnson, C.P.A., Staff
Diana Swanson, Staff